

PERAC AUDIT REPORT



Leominster Contributory Retirement System

JAN. 1, 2002 - DEC. 31, 2005 / PERAC 05: 12-047-26



TABLE OF CONTENTS

Letter from the Executive Director	1
Statement Of Ledger Assets And Liabilities	2
Statement Of Changes In Fund Balances	3
Statement Of Income	4
Statement Of Disbursements.....	5
Investment Income	6
Statement Of Allocation Of Investments Owned	7
Supplementary Investment Regulations	8
<u>Notes to Financial Statements:</u>	
Note 1 - The System.....	9
Note 2 - Significant Accounting Policies.....	10
Note 3 - Supplementary Membership Regulations	11
Note 4 - Administration Of The System	13
Note 5 - Actuarial Valuation And Assumptions	14
Note 6 - Membership Exhibit.....	15

PERAC

COMMONWEALTH OF MASSACHUSETTS | PUBLIC EMPLOYEE RETIREMENT ADMINISTRATION COMMISSION

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JOSEPH E. CONNARTON, *Executive Director*

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August 11, 2006

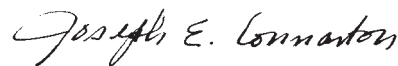
The Public Employee Retirement Administration Commission has completed an examination of the Leominster Retirement System pursuant to G.L. c. 32, § 21. The examination covered the period from January 1, 2002 to December 31, 2005. This audit was conducted in accordance with the accounting and management standards established by the Public Employee Retirement Administration Commission in regulation 840 CMR 25.00. Additionally, all supplementary regulations approved by PERAC and on file at PERAC are listed in this report.

In our opinion, the financial records are being maintained and management functions are being performed in conformity with the standards established by the Public Employee Retirement Administration Commission. There are no significant findings to report.

We commend the Leominster Retirement Board for the exemplary operation of the system.

In closing, I acknowledge the work of examiner Richard Ackerson who conducted this examination and express appreciation to the Board of Retirement and staff for their courtesy and cooperation.

Sincerely,



Joseph E. Connarton
Executive Director



Leominster Retirement System

STATEMENT OF LEDGER ASSETS AND LIABILITIES

**FOR THE FOUR YEAR PERIOD BEGINNING JANUARY 1, 2002
AND ENDING DECEMBER 31, 2005**

FOR THE PERIOD ENDING DECEMBER 31,				
ASSETS	2005	2004	2003	2002
Cash	\$2,213	\$2,213	\$2,213	\$2,213
Short Term Investments	375,596	230,981	563,322	304,394
Fixed Income Securities (at book value)	0	0	0	0
Equities	0	0	0	0
Pooled Short Term Funds	0	0	0	0
Pooled Domestic Equity Funds	3,655,444	3,338,290	2,984,648	20,257,082
Pooled International Equity Funds	10,003,125	8,804,655	7,216,719	3,614,890
Pooled Global Equity Funds	33,721,006	31,560,810	23,737,881	0
Pooled Domestic Fixed Income Funds	23,358,797	25,395,250	27,048,007	28,267,915
Pooled International Fixed Income Funds	0	0	0	0
Pooled Global Fixed Income Funds	0	0	0	0
Pooled Alternative Investment Funds	3,865,530	0	0	0
Pooled Real Estate Funds	0	0	0	0
Pooled Domestic Balanced Funds	0	0	0	0
Pooled International Balanced Funds	0	0	0	0
PRIT Cash Fund	161,298	230,661	660,971	315,412
PRIT Core Fund	0	0	0	0
Interest Due and Accrued	120	50	13	17
Accounts Receivable	0	1,000	0	0
Accounts Payable	0	0	0	0
TOTAL	<u>\$75,143,128</u>	<u>\$69,563,911</u>	<u>\$62,213,772</u>	<u>\$52,761,922</u>
FUND BALANCES				
Annuity Savings Fund	\$18,678,495	\$17,356,128	\$16,727,096	\$16,223,166
Annuity Reserve Fund	5,723,020	5,678,858	5,266,073	4,829,766
Pension Fund	6,943,544	6,971,973	7,373,411	7,891,141
Military Service Fund	28,357	11,404	11,336	11,224
Expense Fund	0	0	0	0
Pension Reserve Fund	43,769,713	39,545,547	32,835,856	23,806,625
TOTAL	<u>\$75,143,128</u>	<u>\$69,563,911</u>	<u>\$62,213,772</u>	<u>\$52,761,922</u>

Leominster Retirement System

STATEMENT OF CHANGES IN FUND BALANCES

**FOR THE FOUR YEAR PERIOD BEGINNING JANUARY 1, 2002
AND ENDING DECEMBER 31, 2005**

	Annuity Savings Fund	Annuity Reserve Fund	Pension Fund	Military Service Fund	Expense Fund	Pension Reserve Fund	Total All Funds
Beginning Balance (2002)	\$15,285,935	\$4,589,211	\$7,994,529	\$11,069	\$0	\$26,590,020	\$54,470,764
Receipts	1,961,155	140,749	3,827,384	154	293,814	(2,538,971)	3,684,286
Interfund Transfers	(722,492)	722,424	244,491	0	0	(244,423)	0
Disbursements	<u>(301,432)</u>	<u>(622,619)</u>	<u>(4,175,264)</u>	<u>0</u>	<u>(293,814)</u>	<u>0</u>	<u>(5,393,128)</u>
Ending Balance (2002)	16,223,167	4,829,766	7,891,141	11,223	0	23,806,625	52,761,922
Receipts	1,930,470	149,159	3,955,448	112	195,027	9,029,231	15,259,447
Interfund Transfers	(962,722)	962,722	0	0	0	0	0
Disbursements	<u>(463,818)</u>	<u>(675,574)</u>	<u>(4,473,178)</u>	<u>0</u>	<u>(195,027)</u>	<u>0</u>	<u>(5,807,597)</u>
Ending Balance (2003)	16,727,096	5,266,073	7,373,411	11,336	0	32,835,856	62,213,772
Receipts	2,125,151	161,566	3,946,886	68	226,129	7,272,254	13,732,054
Interfund Transfers	(1,045,294)	1,045,294	562,564	0	0	(562,564)	0
Disbursements	<u>(450,825)</u>	<u>(794,074)</u>	<u>(4,910,887)</u>	<u>0</u>	<u>(226,129)</u>	<u>0</u>	<u>(6,381,916)</u>
Ending Balance (2004)	17,356,128	5,678,858	6,971,973	11,404	0	39,545,547	69,563,910
Receipts	2,212,128	183,002	5,112,537	23,276	212,175	4,224,166	11,967,283
Interfund Transfers	(653,232)	659,555	0	(6,324)	0	0	(0)
Disbursements	<u>(236,530)</u>	<u>(798,395)</u>	<u>(5,140,966)</u>	<u>0</u>	<u>(212,175)</u>	<u>0</u>	<u>(6,388,065)</u>
Ending Balance (2005)	<u>\$18,678,495</u>	<u>\$5,723,020</u>	<u>\$6,943,544</u>	<u>\$28,356</u>	<u>\$0</u>	<u>\$43,769,713</u>	<u>\$75,143,128</u>

Leominster Retirement System

STATEMENT OF INCOME

**FOR THE FOUR YEAR PERIOD BEGINNING JANUARY 1, 2002
AND ENDING DECEMBER 31, 2005**

	FOR THE PERIOD ENDING DECEMBER 31,			
	2005	2004	2003	2002
Annuity Savings Fund:				
Members Deductions	\$1,926,142	\$1,789,638	\$1,725,567	\$1,674,346
Transfers from other Systems	159,553	142,520	21,424	36,226
Member Make Up Payments and Redeposits	24,910	96,902	27,774	44,311
Investment Income Credited to Member Accounts	<u>101,523</u>	<u>96,090</u>	<u>155,704</u>	<u>206,271</u>
Sub Total	<u>2,212,128</u>	<u>2,125,151</u>	<u>1,930,470</u>	<u>1,961,155</u>
Annuity Reserve Fund:				
Investment Income Credited Annuity Reserve Fund	<u>183,002</u>	<u>161,566</u>	<u>149,159</u>	<u>140,749</u>
Pension Fund:				
3 (8) (c) Reimbursements from Other Systems	55,148	99,859	85,358	77,435
Received from Commonwealth for COLA and Survivor Benefits	409,067	160,040	314,714	320,991
Pension Fund Appropriation	<u>4,648,322</u>	<u>3,686,988</u>	<u>3,555,376</u>	<u>3,428,959</u>
Sub Total	<u>5,112,537</u>	<u>3,946,886</u>	<u>3,955,448</u>	<u>3,827,384</u>
Military Service Fund:				
Contribution Received from Municipality on Account of Military Service	23,107	0	0	0
Investment Income Credited Military Service Fund	<u>169</u>	<u>68</u>	<u>112</u>	<u>154</u>
Sub Total	<u>23,276</u>	<u>68</u>	<u>112</u>	<u>154</u>
Expense Fund:				
Expense Fund Appropriation	0	0	0	0
Investment Income Credited to Expense Fund	<u>212,175</u>	<u>226,129</u>	<u>195,027</u>	<u>293,814</u>
Sub Total	<u>212,175</u>	<u>226,129</u>	<u>195,027</u>	<u>293,814</u>
Pension Reserve Fund:				
Federal Grant Reimbursement	84,354	31,056	67,264	22,902
Miscellaneous Income	0	69,952	0	0
Interest Not Refunded	1,871	3,050	5,392	5,093
Excess Investment Income	<u>4,137,941</u>	<u>7,168,196</u>	<u>8,956,575</u>	<u>(2,566,966)</u>
Sub Total	<u>4,224,166</u>	<u>7,272,254</u>	<u>9,029,231</u>	<u>(2,538,971)</u>
TOTAL RECEIPTS	<u>\$11,967,283</u>	<u>\$13,732,054</u>	<u>\$15,259,447</u>	<u>\$3,684,286</u>

Leominster Retirement System

STATEMENT OF DISBURSEMENTS

**FOR THE FOUR YEAR PERIOD BEGINNING JANUARY 1, 2002
AND ENDING DECEMBER 31, 2005**

FOR THE PERIOD ENDING DECEMBER 31,				
	2005	2004	2003	2002
Annuity Savings Fund:				
Refunds to Members	\$188,692	\$331,820	\$323,736	\$180,771
Transfers to other Systems	<u>47,838</u>	<u>119,005</u>	<u>140,082</u>	<u>120,661</u>
Sub Total	<u>236,530</u>	<u>450,825</u>	<u>463,818</u>	<u>301,432</u>
Annuity Reserve Fund:				
Annuities Paid	731,588	756,622	635,034	594,340
Option B Refunds	<u>66,807</u>	<u>37,452</u>	<u>40,539</u>	<u>28,279</u>
Sub Total	<u>798,395</u>	<u>794,074</u>	<u>675,574</u>	<u>622,619</u>
Pension Fund:				
Pensions Paid				
Regular Pension Payments	3,530,597	3,308,989	2,973,642	2,695,790
Survivorship Payments	185,930	174,927	156,354	154,590
Ordinary Disability Payments	34,939	33,999	33,066	38,169
Accidental Disability Payments	838,926	811,802	708,303	693,112
Accidental Death Payments	175,596	187,026	186,059	183,660
Section 101 Benefits	14,550	10,806	23,634	13,983
3 (8) (c) Reimbursements to Other Systems	100,367	103,292	98,308	83,658
State Reimbursable COLA's Paid	238,699	258,685	268,827	281,822
Chapter 389 Beneficiary Increase Paid	<u>21,361</u>	<u>21,361</u>	<u>24,985</u>	<u>30,481</u>
Sub Total	<u>5,140,966</u>	<u>4,910,887</u>	<u>4,473,178</u>	<u>4,175,264</u>
Military Service Fund:				
Return to Municipality for Members Who Withdrew Their Funds	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Expense Fund:				
Board Member Stipend	15,000	15,000	15,000	15,000
Salaries	62,942	98,223	77,253	40,954
Legal Expenses	0	0	0	0
Fiduciary Insurance	0	0	0	3,312
Travel Expenses	1,151	2,129	1,048	1,771
Administrative Expenses	6,217	6,107	5,855	2,524
Furniture and Equipment	5,549	5,336	5,123	4,984
Management Fees	86,197	60,947	62,282	197,059
Custodial Fees	14,868	8,772	9,467	9,209
Consultant Fees	<u>20,250</u>	<u>29,617</u>	<u>19,000</u>	<u>19,000</u>
Sub Total	<u>212,175</u>	<u>226,129</u>	<u>195,027</u>	<u>293,814</u>
TOTAL DISBURSEMENTS	<u>\$6,388,065</u>	<u>\$6,381,916</u>	<u>\$5,807,597</u>	<u>\$5,393,128</u>

Leominster Retirement System

INVESTMENT INCOME

**FOR THE FOUR YEAR PERIOD BEGINNING JANUARY 1, 2002
AND ENDING DECEMBER 31, 2005**

	FOR THE PERIOD ENDING DECEMBER 31,			
	2005	2004	2003	2002
Investment Income Received From:				
Cash	\$0	\$0	\$0	\$0
Short Term Investments	13,980	4,320	5,447	13,851
Fixed Income	0	0	0	0
Equities	0	0	0	360,392
Pooled or Mutual Funds	4,784,318	3,241,497	1,913,037	<u>1,703,891</u>
Commission Recapture	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
TOTAL INVESTMENT INCOME	<u>4,798,297</u>	<u>3,245,817</u>	<u>1,918,484</u>	<u>2,078,133</u>
Plus:				
Realized Gains	1,652,075	755,923	2,477,537	964,353
Unrealized Gains	7,592,686	7,782,623	7,931,179	3,441,801
Interest Due and Accrued on Fixed Income Securities - Current Year	<u>120</u>	<u>50</u>	<u>13</u>	<u>17</u>
Sub Total	<u>9,244,881</u>	<u>8,538,596</u>	<u>10,408,729</u>	<u>4,406,171</u>
Less:				
Paid Accrued Interest on Fixed Income Securities	0	0	0	0
Realized Loss	(288,678)	(202,709)	(88,548)	(2,374,377)
Unrealized Loss	(9,119,641)	(3,929,642)	(2,782,071)	(6,035,020)
Interest Due and Accrued on Fixed Income Securities - Prior Year	<u>(50)</u>	<u>(13)</u>	<u>(17)</u>	<u>(885)</u>
Sub Total	<u>(9,408,369)</u>	<u>(4,132,364)</u>	<u>(2,870,636)</u>	<u>(8,410,282)</u>
NET INVESTMENT INCOME	<u>4,634,809</u>	<u>7,652,049</u>	<u>9,456,577</u>	<u>(1,925,977)</u>
Income Required:				
Annuity Savings Fund	101,523	96,090	155,704	206,271
Annuity Reserve Fund	183,002	161,566	149,159	140,749
Military Service Fund	169	68	112	155
Expense Fund	<u>212,175</u>	<u>226,129</u>	<u>195,027</u>	<u>293,814</u>
TOTAL INCOME REQUIRED	<u>496,868</u>	<u>483,853</u>	<u>500,002</u>	<u>640,989</u>
Net Investment Income	<u>4,634,809</u>	<u>7,652,049</u>	<u>9,456,577</u>	<u>(1,925,977)</u>
Less: Total Income Required	<u>496,868</u>	<u>483,853</u>	<u>500,002</u>	<u>640,989</u>
EXCESS INCOME TO THE PENSION RESERVE FUND	<u>\$4,137,941</u>	<u>\$7,168,196</u>	<u>\$8,956,575</u>	<u>(\$2,566,966)</u>

Leominster Retirement System

STATEMENT OF ALLOCATION OF INVESTMENTS OWNED

(percentages by category)

FOR THE PERIOD ENDING DECEMBER 31, 2005

	MARKET VALUE	PERCENTAGE OF TOTAL ASSETS	PERCENTAGE ALLOWED
Cash	\$2,213	0.00%	100
Short Term	375,596	0.50%	100
Fixed Income	0	0.00%	40 - 80
Equities	0	0.00%	40
Pooled Short Term Funds	0	0.00%	
Pooled Domestic Equity Funds	3,655,444	4.86%	
Pooled International Equity Funds	10,003,125	13.31%	
Pooled Global Equity Funds	33,721,006	44.88%	
Pooled Domestic Fixed Income Funds	23,358,797	31.09%	
Pooled International Fixed Income Funds	0	0.00%	
Pooled Global Fixed Income Funds	0	0.00%	
Pooled Alternative Investment Funds	3,865,530	5.14%	
Pooled Real Estate Funds	0	0.00%	
Pooled Domestic Balanced Funds	0	0.00%	
Pooled International Balanced Funds	0	0.00%	
PRIT Cash Fund	161,298	0.21%	
PRIT Core Fund	<u>0</u>	<u>0.00%</u>	100
GRAND TOTALS	<u>\$75,143,008</u>	<u>100.00%</u>	

For the year ending December 31, 2004, the rate of return for the investments of the Leominster Retirement System was 12.30%. For the five year period ending December 31, 2005, the rate of return for the investments of the Leominster Retirement System averaged 7.01%. For the 20-year period ending December 31, 2005, since PERAC began evaluating the returns of the retirement systems, the rate of return of the investments of the Leominster Retirement System was 9.68%.

Leominster Retirement System

SUPPLEMENTARY INVESTMENT REGULATIONS

FOR THE FOUR YEAR PERIOD ENDING DECEMBER 31, 2005

The Leominster Retirement System submitted the following supplementary investment regulations, which were approved by PERAC on:

April 9, 1996

20.03(1) Equity investments shall not exceed 50% of the portfolio valued at market, including international equities, which shall not exceed 10% of the portfolio valued at market.

Leominster Retirement System

NOTES TO FINANCIAL STATEMENTS

FOR THE FOUR YEAR PERIOD ENDING DECEMBER 31, 2005

NOTE 1 - THE SYSTEM

The plan is a contributory defined benefit plan covering all Leominster Retirement System member unit employees deemed eligible by the retirement board, with the exception of school department employees who serve in a teaching capacity. The Teachers' Retirement Board administers the pensions of such school employees.

Instituted in 1937, the System is a member of the Massachusetts Contributory Retirement System and is governed by Chapter 32 of the Massachusetts General Laws. Membership in the plan is mandatory immediately upon the commencement of employment for all permanent, full-time employees.

The system provides for retirement allowance benefits up to a maximum of 80% of a member's highest three year average annual rate of regular compensation. Benefit payments are based upon a member's age, length of creditable service, level of compensation, and group classification.

Members become vested after ten years of creditable service. A superannuation retirement allowance may be received upon the completion of twenty years of service or upon reaching the age of 55 with ten years of service. Normal retirement for most employees occurs at age 65 (for certain hazardous duty and public safety positions, normal retirement is at age 55).

A retirement allowance consists of two parts: an annuity and a pension. A member's accumulated total deductions and a portion of the interest they generate constitute the annuity. The differential between the total retirement benefit and the annuity is the pension. The average retirement benefit is approximately 75 - 85% pension and 15 - 25% annuity.

Active members contribute either 5, 7, 8, or 9% of their gross regular compensation. Members joining the retirement system after January 1, 1979 must contribute an additional 2% on regular compensation earned at a rate in excess of \$30,000. The percentage rate is keyed to the date upon which an employee's membership commences. These deductions are deposited in the Annuity Savings Fund and earn interest at a rate determined by the Executive Director of PERAC according to statute. When a member's retirement becomes effective, his/her deductions and related interest are transferred to the Annuity Reserve Fund. Any cost-of-living adjustment granted between 1981 and 1997 and any increase in other benefits imposed by state law during that period are borne by the state.

The pension portion of any retirement benefit is paid from the Pension Fund of the System. The governmental unit employing the member must annually appropriate and contribute the amount of current year pension payments as indicated on the most recent funding schedule as approved by PERAC's Actuary. Until recently, retirement systems were paying only the actual retirement benefits that were due each year.

Leominster Retirement System

NOTES TO FINANCIAL STATEMENTS (Continued)

FOR THE FOUR YEAR PERIOD ENDING DECEMBER 31, 2005

Systems had no statutory authorization to put aside any money for the future benefits of employees who are now working. Large unfunded liabilities resulted from operating upon this pay-as-you-go basis. In 1977, legislation authorized local governments to appropriate funds to meet future pension obligations.

In 1983, additional legislation was passed requiring the transfer of investment earnings (in excess of the amount credited to member accounts) into the Pension Reserve Fund. These initiatives have significantly reduced the rate of growth of the retirement systems' unfunded liabilities, and in some systems have actually eliminated such liability.

Administrative expenses are funded through investment income of the system.

Members who become permanently and totally disabled for further duty may be eligible to receive a disability retirement allowance. The amount of benefits to be received in such cases is dependent upon several factors including: whether or not the disability is work related, the member's age, years of creditable service, level of compensation, veteran's status, and group classification.

Employees who resign from service and who are not eligible to receive a retirement allowance or are under the age of 55 are entitled to request a refund of their accumulated total deductions. In addition, depending upon the number of years of creditable service, such employees are entitled to receive either zero (0%) percent, fifty (50%) percent, or one hundred (100%) percent of the regular interest which has accrued upon those deductions. Survivor benefits are extended to eligible beneficiaries of members whose death occurs prior to or following retirement.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES

The accounting records of the System are maintained on a calendar year basis in accordance with the standards and procedures established by the Executive Director of Public Employee Retirement Administration Commission.

The Annuity Savings Fund is the fund in which members' contributions are deposited. Active members contribute either 5, 7, 8, or 9% of their gross regular compensation. Voluntary contributions, re-deposits, and transfers to and from other systems, are also accounted for in this fund. Members' contributions to the fund earn interest at a rate determined by PERAC. Interest for some members who withdraw with less than ten years of service is transferred to the Pension Reserve Fund. Upon retirement, members' contributions and interest are transferred to the Annuity Reserve Fund. Dormant account balances must be transferred to the Pension Reserve Fund after a period of ten years of inactivity.

Leominster Retirement System

NOTES TO FINANCIAL STATEMENTS (Continued)

FOR THE FOUR YEAR PERIOD ENDING DECEMBER 31, 2005

The Annuity Reserve Fund is the fund to which a member's account is transferred upon retirement from the Annuity Savings Fund and Special Military Service Credit Fund. The annuity portion of the retirement allowance is paid from this fund. Interest is credited monthly to this fund at the rate of 3% annually on the previous month's balance.

The Special Military Service Credit Fund contains contributions and interest for members while on a military leave for service in the Armed Forces who will receive creditable service for the period of that leave.

The Expense Fund contains amounts transferred from investment income for the purposes of administering the retirement system.

The Pension Fund contains the amounts appropriated by the governmental units as established by PERAC to pay the pension portion of each retirement allowance.

The Pension Reserve Fund contains amounts appropriated by the governmental units for the purposes of funding future retirement benefits. Any profit or loss realized on the sale or maturity of any investment or on the unrealized gain of a market valued investment as of the valuation date is credited to the Pension Reserve Fund. Additionally, any investment income in excess of the amount required to credit interest to the Annuity Savings Fund, Annuity Reserve Fund, and Special Military Service Credit Fund is credited to this Reserve account.

The Investment Income Account is credited with all income derived from interest and dividends of invested funds. At year-end the interest credited to the Annuity Savings Fund, Annuity Reserve Fund, Expense Fund, and Special Military Service Credit Fund is distributed from this account and the remaining balance is transferred to the Pension Reserve Fund.

NOTE 3 - SUPPLEMENTARY MEMBERSHIP REGULATIONS

The Leominster Retirement System submitted the following supplementary membership regulations, which were approved by PERAC on:

December 14, 1984

Regularly employed employees who work twenty (20) hours per week, or more, must become members of the Leominster Retirement System.

Temporary or provisional employees filling permanent positions must become members after six (6) months of service.

The Mayor and City Council may elect to become members.

Leominster Retirement System

NOTES TO FINANCIAL STATEMENTS (Continued)

FOR THE FOUR YEAR PERIOD ENDING DECEMBER 31, 2005

NOTE 3 - SUPPLEMENTARY MEMBERSHIP REGULATIONS (Continued)

Call Firefighters and Reserve Police Officers may elect to become members.

November 30, 1987

The Leominster Retirement Board will not allow creditable service make-up for performed services of under six (6) months duration from another jurisdiction.

March 5, 1991

Employees appointed to positions must become members upon their effective date of paid employment.

January 6, 1995

Effective October 29, 1989 the regular types of titled specialty pay in the police department are deemed to be regular compensation:

CPR, Suicide, and Breathalyzer Operator pay.

September 23, 1996

The clothing allowance for both police and fire personnel is to be considered regular compensation.

Leominster Retirement System

NOTES TO FINANCIAL STATEMENTS (Continued)

FOR THE FOUR YEAR PERIOD ENDING DECEMBER 31, 2005

NOTE 4 - ADMINISTRATION OF THE SYSTEM

The System is administered by a five person Board of Retirement consisting of the City Comptroller who shall be a member ex officio, a second member appointed by the governing authority, a third and fourth member who shall be elected by the members in or retired from the service of such system, and a fifth member appointed by the other four board members.

Ex officio Member: John J. Richard

Appointed Member: David R. Laplante Term Expires: 11/17/08

Elected Member: Paul R. Doig Term Expires: 01/01/09

Elected Member: John F. Picone Term Expires: 06/30/07

Appointed Member: Aldo J. Mazzaferro Term Expires: 01/03/09

The Board members are required to meet at least once a month. The Board must keep a record of all of its proceedings. The Board must annually submit to the appropriate authority an estimate of the expenses of administration and cost of operation of the system. The board must annually file a financial statement of condition for the system with the Executive Director of PERAC.

The investment of the system's funds is the responsibility of the Board. All retirement allowances must be approved by the Retirement Board and are then submitted to the PERAC Actuary for verification prior to payment. All expenses incurred by the System must be approved by at least two members of the Board.

The following retirement board members and employees are bonded by an authorized agent representing a company licensed to do business in Massachusetts as follows:

Treasurer - Custodian:)	
Ex officio Member:)	\$50,000,000/\$1,000,000
Elected Member:)	MACRS POLICY
Appointed Member:)	
Staff Employee:)	

Leominster Retirement System

NOTES TO FINANCIAL STATEMENTS (Continued)

FOR THE FOUR YEAR PERIOD ENDING DECEMBER 31, 2005

NOTE 5 - ACTUARIAL VALUATION AND ASSUMPTIONS

The most recent actuarial valuation of the System was prepared by Stone Consulting as of January 1, 2004.

The actuarial liability for active members was	\$47,025,576
The actuarial liability for inactive members was	484,183
The actuarial liability for retired members was	<u>45,049,023</u>
The total actuarial liability was	92,558,782
System assets as of that date were	<u>62,213,772</u>
The unfunded actuarial liability was	<u>\$30,345,010</u>
 The ratio of system's assets to total actuarial liability was	 67.2%
As of that date the total covered employee payroll was	\$20,658,391

The normal cost for employees on that date was 8.20% of payroll

The normal cost for the employer was 4.70% of payroll

The principal actuarial assumptions used in the valuation are as follows:

Investment Return: 8.00% per annum

Rate of Salary Increase: 4.75% per annum

GASB STATEMENT NO. 25, DISCLOSURE INFORMATION AS OF JANUARY 1, 2004

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Cov. Payroll ((b-a)/c)
1/1/2004	\$62,214,000	\$92,559,000	\$30,345,000	67.2%	\$20,658,000	146.89%
1/1/2001	52,941,000	77,053,000	24,112,000	68.7%	18,178,000	132.64%

Leominster Retirement System

NOTES TO FINANCIAL STATEMENTS (Continued)

FOR THE FOUR YEAR PERIOD ENDING DECEMBER 31, 2005

NOTE 6 - MEMBERSHIP EXHIBIT

Retirement in Past Years	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
Superannuation	13	13	13	22	19	6	17	19	15	11
Ordinary Disability	0	0	0	0	0	0	0	0	0	0
Accidental Disability	1	1	1	0	0	0	0	1	2	0
Total Retirements	14	14	14	22	19	6	17	20	17	11
Total Retirees, Beneficiaries and Survivors	336	337	342	359	366	358	362	370	374	362
Total Active Members	547	563	593	588	594	630	607	615	623	678
Pension Payments										
Superannuation	\$1,868,883	\$1,904,455	\$1,971,279	\$2,182,929	\$2,422,846	\$2,516,769	\$2,695,790	\$2,973,642	\$3,308,989	\$3,530,597
Survivor/Beneficiary Payments	78,880	81,270	105,819	106,567	155,788	160,169	154,590	156,354	174,927	185,930
Ordinary Disability	37,243	30,096	28,625	34,346	30,561	31,077	38,169	33,066	33,999	34,939
Accidental Disability	691,019	665,851	680,046	700,189	688,589	689,606	693,112	708,303	811,802	838,926
Other	<u>511,704</u>	<u>553,715</u>	<u>522,241</u>	<u>534,621</u>	<u>579,552</u>	<u>619,599</u>	<u>593,603</u>	<u>601,812</u>	<u>581,169</u>	<u>550,574</u>
Total Payments for Year	<u>\$3,187,729</u>	<u>\$3,235,387</u>	<u>\$3,308,010</u>	<u>\$3,558,652</u>	<u>\$3,877,336</u>	<u>\$4,017,219</u>	<u>\$4,175,264</u>	<u>\$4,473,178</u>	<u>\$4,910,887</u>	<u>\$5,140,966</u>

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